BRITISH COLUMBIA
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BC Stats

Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue:* 08-33 *August 15th, 2008*

- **Exports rise 3.1% in June as shipments to the US pick up**
- **Manufacturing shipments slip in June**
- **Housing starts up slightly in July as BC bucks national trend**

The Economy

- **Exports of BC products climbed 3.1% (*seasonally adjusted*) in June, marking the fifth monthly increase of 2008.** Energy shipments soared 19.7% and exports of machinery, equipment & automotive (+2.2%) and agriculture & fishing (+0.4%) products were also higher. However, international shipments of forestry (-5.7%) and industrial & consumer (-2.9%) goods slipped. June marked only the second time in the last 20 years in which the value of forestry exports has been surpassed by energy exports.

  Exports to the United States jumped (+12.1%), fuelled mostly by a 54.5% surge in energy products. Forestry (+3.9%) and machinery, equipment & automotive (+3.5%) exports were also up. International shipments to countries other than the US (-5.3%) weakened, ending two months of double-digit increases.

  Nation-wide, exports climbed 3.1%, primarily fuelled by gains in both the price and volume of crude petroleum exports to the US. Canadian exports to the US (+5.3%) increased in June, but commodities sent to both Japan (-9.2%) and the European Union (-0.7%) were down.

  Data Source: Statistics Canada & BC Stats

- **BC manufacturing shipments slipped 2.1% (*seasonally adjusted*) in June, mirroring a similar gain in May (+1.9%).** A 5.9% drop in shipments by manufacturers of non-durable goods was largely due to a downturn in the paper industry (-11.2%), where shipments have been see-sawing this year and prices for some types of paper products have been dropping. Food manufacturers posted a decrease of 1.5%, while shipments by producers of beverages & tobacco (-4.7%), plastics & rubber (-2.3%) and chemicals (-2.0%) also slumped.

  In the durables sector, shipments were up 1.2%. The wood industry held steady (+0.6%), marking its fourth consecutive monthly increase. Manufacturers of primary (+3.1%) and fabricated (+8.7%) metals also posted solid gains. However, shipments by producers of transportation equipment (-13.5%) and furniture (-7.1%) fell.

  At the national level, manufacturing shipments were up 2.1%. The improvement was widespread, but much of it was attributable to continued gains in the petroleum & coal industry. BC was the only province to post a decline, with increases in other parts of the country ranging from 1.7% in Ontario to 14.2% in PEI.

  Data Source: Statistics Canada

- **New motor vehicle sales fell flat (+0.0%, *seasonally adjusted*) for the second straight month in June.** The stall was due to a decline in sales of North American-made cars and trucks, which overwhelmed increased sales of vehicles manufactured overseas. Canada-wide, sales of new motor vehicles slowed (-1.0%), with seven provinces recording decreases. Sales in Alberta and Manitoba (each +0.9%) were up slightly in June.

  Data Source: Statistics Canada & BC Stats

- **Housing starts in the province showed continued volatility in July, climbing 4.8% (*seasonally adjusted*), following a significant decline in the previous month.** Canadian starts plummeted 13.6%, as every province except BC and Alberta (+22.9%) posted decreases, most of which were in the double-digits.

  Data Source: Statistics Canada

Report Asia Offers Potential as a Destination for BC Exports

Did you know...
With approximately 8% of its territory covered by lakes, Canada has more lake area than any other country in the world. Source: Environment Canada

- **The price of new housing in BC's largest city rose in June.** Home builders in Vancouver saw prices increase 1.8%, while in Victoria the average cost for a new home inched down 0.4% over the same month of 2007. Although land prices remained stable (+0.5%), building values in Victoria were lower (-0.9%) than a year earlier. In Vancouver, the cost of land (+2.5%) rose more than the value of new housing (+1.2%), a pattern relatively new to a city where building values have been outpacing land prices.

  Nationally, the cost of new housing advanced 3.5% during the twelve-month period ending in June. With the exception of Victoria, prices increased in all 21 metropolitan areas surveyed. With its high demand for new housing along with higher material and labour costs, Regina (+28.5%) continued to lead the country. After Regina, the most inflationary new housing markets were in St. John's (+22.2%) and Saskatoon (+16.3%). *Data Source: Statistics Canada*

Second Quarter in Review

- **Exports of BC products climbed 13.4% (*seasonally adjusted*) during the second quarter, fuelled by a sharp upturn in international shipments.** Energy exports soared (+99.2%) and exports of industrial & consumer goods bounced back (+34.2%) after plunging (-11.5%) earlier in the year. Forestry (+6.9%) and agriculture & fishing (+1.8%) exports also advanced, albeit at a comparatively moderate rate. Shipments south of the border slowed (-0.3%), with the most significant decline felt by producers of forest products (-5.3%). The downturn in shipments to the US was far overshadowed by the strong increase (+33.5%) in the value of exports to the rest of the world during the second quarter of 2008. *Data Source Statistics Canada & BC Stats*

- **BC manufacturers shipped $10.2 billion (*seasonally adjusted*) of goods during the second quarter of 2008.** Despite ending with a significant monthly decrease in June, the second quarter of 2008 finished with an overall gain of 1.5% as a result of strength in April and May. Gains made in two of the province's largest manufacturing industries, paper (+1.0%) and wood (+4.2%), propelled shipments to the first quarterly advance since the second quarter of last year. Fabricated metals (+7.0%), machinery (+3.8%) and non-metallic minerals (+2.2%) posted strong growth. However, shipments by producers of food (-0.8%), chemicals (-3.1%), plastics & rubber (-4.4%) and transportation equipment (-5.3%) were down.

  Data Source: Statistics Canada

- **New motor vehicle sales retreated to the slow lane (-4.1% *seasonally adjusted*) in the second quarter, following a 1.6% first-quarter acceleration.** Sales of North American-made automobiles decreased sharply. Sales of overseas-manufactured vehicles were only marginally higher, despite modest growth in sales of cars built abroad, as the market for overseas-built trucks tanked. *Data Source: Statistics Canada & BC Stats*

Research and Development

- **In 2006/07, expenditures on research and development (R&D) in BC's higher education sector (HERD) increased $55 million to reach $959 million, 6.1% above 2005/06 levels.** Most of the funding for R&D in 2006/07 came from universities (41%) and the federal government (31%). The provincial government (11%), private non-profit organizations (10%), business enterprises (5%) and foreign sources also provided funding.

  Nationally, spending on research and development in the higher education sector increased 1.1% from 2005/06 to reach $9.6 billion in the 2006/07 fiscal year. PEI led all provinces with a 13.9% increase, followed by Nova Scotia (+6.5%) and BC. The Alberta provincial government funded 19% of research and development performed by the province's higher education institutions, the highest share of any province. Overall, the allocation of Canadian spending on R&D in this sector has remained fairly constant, with social sciences and humanities accounting for 20%, and health sciences (39%) and other natural sciences & engineering (41%) with larger shares.

  Data Source: SC Cat. #88-001-XIE

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Contact: Dan Schrier
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Originally published in
Exports Issue 08-05

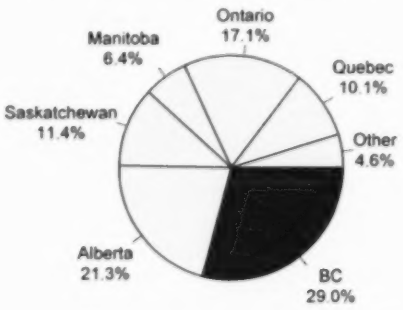
Asia Offers Potential as a Destination for BC Exports

With the rapid economic growth of countries such as China and India, Asia has become a focal point for exporters looking to expand their marketplace. For British Columbia, Asia has long been an important destination for the province's commodity exports, with the share of BC's total goods exports rising above 25% in the 1970s and remaining there since. In 1989, the share of BC's exports shipped to Asia peaked at 37%, but the subsequent slowdown in the economy of Japan saw that ratio bottom out at 21% in 2001, before starting to rise again. In 2007, 27% of BC's total goods exports were shipped to Asian destinations.

Within Canada, British Columbia is by far the province most dependent on Asia as a destination for exports. Overall, only 7% of Canadian exports were shipped to Asian destinations. After BC, Saskatchewan and Manitoba had the next highest share of goods shipped to Asia, at around 17% of total goods exports, a full ten percentage points lower than British Columbia.

BC ships the greatest volume of goods to Asia

Percent share of Canadian goods shipped to Asia, 2007

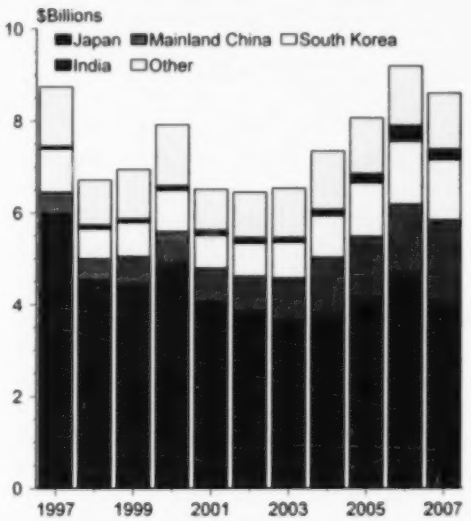


Source: Statistics Canada

British Columbia shipped more goods to Asia than any other province in 2007. The province was the origin of 29% of Canadian commodity exports destined for Asia. Alberta ranked second, with 21% of the Canadian total.

Within Asia, Japan continues to be the primary destination for goods from British Columbia. Although Japan's share has slipped over the last decade, it was still the destination of almost half (48%) of BC's exports to Asia in 2007. However, this was the first time in at least 60 years that shipments to Japan represented less than half of BC's exports to Asia. In fact, back in the late 1960s and 1970s, Japan's share often exceeded 85% and peaked at 91% in 1973.

BC's exports to Asia are still largely to Japan



Sources: Statistics Canada and BC Stats

Over the last decade, countries such as China and South Korea have become important markets for BC's goods. Mainland China now takes in 20% of BC's shipments

to Asia and South Korea is the destination for another 15%.

Top 10 Asian Destinations for BC Commodity Exports, 2007

Country	$Millions	% Share
Japan	$4,102.0	47.7
Mainland	$1,744.4	20.3
South Korea	$1,307.8	15.2
Taiwan	$462.4	5.4
India	$234.3	2.7
Hong Kong	$166.5	1.9
Indonesia	$145.0	1.7
Thailand	$129.7	1.5
Philippines	$127.0	1.5
Malaysia	$52.7	0.6
TOTAL	**$8,605.8**	**100.0**

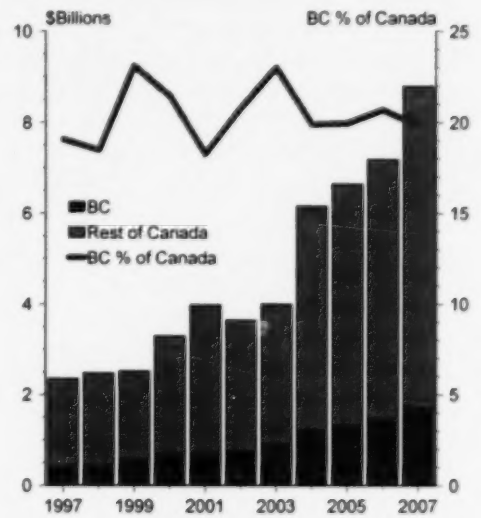
Source: Statistics Canada

In the last ten years, the value of BC's exports to Mainland China has almost quadrupled. British Columbia ranks second only to Alberta as a source of Canadian exports to China. In 2007, Alberta was the origin of almost a third (32%) of Canada's total shipments to Mainland China. British Columbia was the source of a fifth of all Canadian exports to China, followed by Ontario, at 16% and Quebec, at just over 10%.

Over a third (37%) of Alberta's exports to China consisted of ethylene glycol, a component often used in antifreeze. Alberta is the sole province in the country that produces this chemical. For BC, pulp represented over half (59%) of the province's shipments to China, with copper and other ores (10%) being the next largest commodity export.

The emergence of China as an economic superpower has created a resource boom, which has benefitted British Columbia, not only through the rise in exports of these goods to China itself, but also through the price increases the extra demand has produced, bringing more revenue from BC exports of those commodities to all markets. On the flip side, rising commodity prices have contributed to the appreciation of the Canadian dollar, which has harmed exporters, and the influx of inexpensive finished goods from China has posed challenges for Canada's manufacturing sector. As noted in a Statistics Canada report, "Overall, the emergence of China on the world economic stage has led to a complex reallocation, resulting in an increase in resource and service sector employment in Canada, and a reduction in manufacturing employment, the only non-farm goods sector industry that experienced a loss."[1]

Canadian exports to Mainland China have more than doubled in just four years



Sources: Statistics Canada and BC Stats

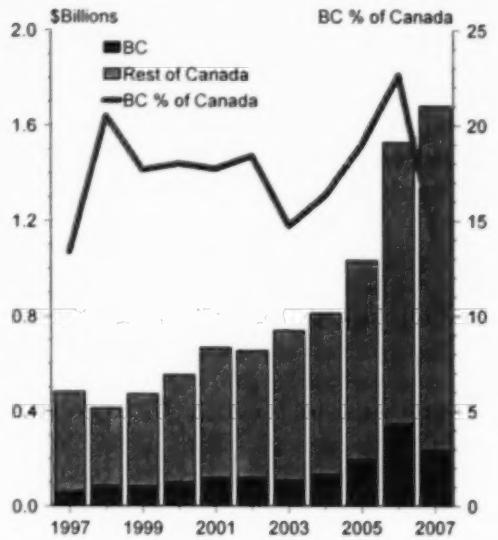
[1] Macdonald, Ryan, Not Dutch Disease, It's China Syndrome, Statistics Canada catalogue number 11-624-MIE – No. 017, August 2007.

Given that BC's strengths are in the resource sector, China's growth is likely more of a blessing than a curse for this province. Considering that Canada's premiers are working toward a joint trade mission to China, the first ever such cooperative effort between the country's first ministers, it is clear that there is recognition that China is a huge market that cannot be ignored.

It is less certain that the value of India as a trade partner is universally recognized. Like China, India has become more industrialized and is developing into an economic power. However, unlike China, there appears to be far less of a push to develop trade ties with India. Some of this may be due to India's historical reluctance to pursue trade deals, as well as a lack of transportation infrastructure in that country. Canada has shown interest in pursuing a free trade agreement and moved a step in this direction when Canada and India arrived at a Foreign Investment Protection and Promotion Agreement in June. Nevertheless, Canada is well behind its competitors in courting India.

The value of Canadian goods shipped to India in 2007 was approximately $1.7 billion, of which $234 million originated in British Columbia. This ranked India as the 13th largest export market for Canada as a whole and the tenth largest market for BC. Given the expanse of the Indian market, there are plenty of opportunities to significantly expand upon these figures. However, there has been substantial growth in exports to India, particularly for Canada as a whole. In the last decade, Canadian exports to India have quadrupled. British Columbia's commodity shipments to India have also experienced strong growth, but they are still relatively small.

Although still relatively small, Canadian exports to India have quadrupled in the last decade



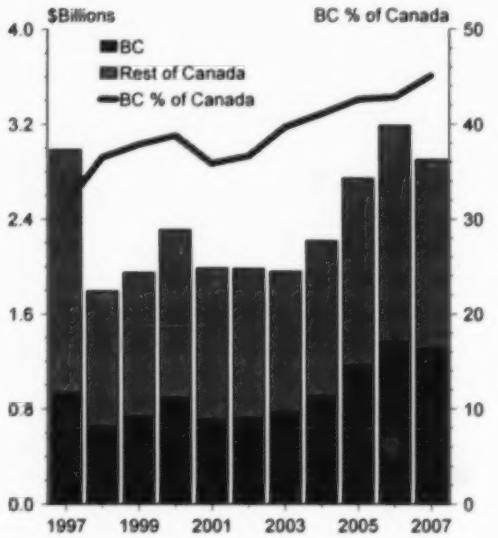
Sources: Statistics Canada and BC Stats

As with China, BC's top exports to India are mainly resource products. Copper and molybdenum ores and concentrates top the list, followed by pulp and paper. These goods comprised approximately 90% of BC's commodity exports to India in 2007. British Columbia (14%) ranked fourth in the country as a source of exports to India, behind Saskatchewan (34%), Ontario (16%) and Quebec (15%). Peas and potash were the prime exports from Saskatchewan.

While Canada may be behind in its efforts to woo India as a trade partner, talks with South Korea have been ongoing for a few years with respect to coming to agreement on a free trade deal between the two countries. While Canadian auto-makers are reticent of such a deal, complaining that South Korea uses non-tariff barriers to block imports of Canadian vehicles, British Columbia would stand to substantially benefit from a free trade agreement.

South Korea is already BC's fourth largest export destination and almost half (45%) of Canadian exports to South Korea originate in BC. Ontario ranks a distant second, with 22% of Canada's exports to Korea shipped from that province.

Almost half of Canadian exports to South Korea originate in British Columbia



Sources: Statistics Canada and BC Stats

Resource exports again dominate the types of goods shipped from BC to South Korea, with coal topping the list (37%), followed by pulp (18%), although aluminum and articles of aluminum (14%) were the third largest export in 2007.

The growing economic strength of these Asian nations is providing new market-places for exporters worldwide and British Columbia is uniquely placed to take full advantage. The province's location and the types of commodities available for export are a perfect fit for trade with Asia, which should bode well for BC's future economic prosperity.

Infoline

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Email transmission information service from BC Stats

also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Apr 1/08	% change on one year ago
BC	4,428.4	1.5
Canada	33,223.8	1.1
GDP and INCOME (Revised Apr 28)		
(BC - at market prices)	2007	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	190,214	5.5
GDP *($ 2002 millions)*	163,200	3.1
GDP *($ 2002 per Capita)*	37,258	1.7
Personal Disposable Income *($ 2002 per Capita)*	24,728	3.0
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May	3,483	2.2
Merchandise Exports - Jun	2,895	3.1
Retail Sales - May	4,759	0.0
CONSUMER PRICE INDEX	% change on one year ago	12-month avg % change
(all items - Jun 2008)		
BC	3.0	1.6
Vancouver	3.1	1.8
Victoria	2.8	1.0
Canada	3.1	2.2
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)	Jul '08	
Labour Force - BC	2,432	0.0
Employed - BC	2,325	0.1
Unemployed - BC	108	-2.3
		Jun '08
Unemployment Rate - BC *(percent)*	4.4	4.5
Unemployment Rate - Canada *(percent)*	6.1	6.2
INTEREST RATES (percent)	Aug 13/08	Aug 15/07
Prime Business Rate	4.75	6.25
Conventional Mortgages - 1 year	6.65	7.05
- 5 year	6.85	7.24
US-CANADA EXCHANGE RATE	Aug 13/08	Aug 15/07
(avg. noon spot rate) Cdn $ per US $	1.0657	1.0746
(closing rate) US $ per Cdn $	0.9412	0.9278
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)	Jul '08	
BC	788.11	5.9
Canada	781.55	3.6

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Immigration & Diversity Profiles

The WelcomeBC site now features two series of graphic profiles based on the 2006 Census. Over 200 individual documents in each series reveal the characteristics of British Columbia, its regions, and communities.

Www.welcomebc.ca/en/growing_your_community/trends/2006/

NEW: RSS enabled for our site

We now have two RSS feeds for our users. One provides updates for just our analytical articles; the other is for everything we do, including the analytical articles, but also announcements, data releases, and publications.

Analytical articles:
www.bcstats.gov.bc.ca/rss/analytical.ashx

Everything:
www.bcstats.gov.bc.ca/rss/everythingnew.ashx

Improved: Article Index on site

Access BC Stats' reports and publications through a searchable database. Searches can be performed by subject, author, publication or date. Link to this page by choosing **Reports & Publications** near the bottom of our left sidebar.

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Released this week by BC Stats

- Exports, June 2008

Next week

- Quarterly Regional Statistics, 2nd Quarter 2008
- Consumer Price Index, July 2008

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